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August 21, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, DC 20554

Re: 1998 Biennial Regulatory Review
MM Docket No. 98-35
Reply Comments of Lloyd G. Schermer

Dear Ms. Salas:

In connection with the reply comments of Lloyd G. Schermer filed in the above-referenced proceeding yesterday, we are submitting two (2) additional copies for inclusion in the docket, for a total of six.

Please contact this office if further information is needed.

Very truly yours,

WILEY, REIN & FIELDING

Peter O'Connell

Peter D. O'Connell

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Enclosures

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
1998 Biennial Regulatory Review -- Review of the Commission's Broadcast Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecommunications Act of 1996.	))))	MM Docket No. 98-35

REPLY STATEMENT OF LLOYD G. SCHERMER

My name is Lloyd G. Schermer. I served as the Chief Executive Officer of Lee Enterprises, Incorporated ("Lee"), Davenport, Iowa, for eighteen years (1973-1991). Lee is a publicly-held media company founded over 100 years ago, which owns and operates television stations, daily newspapers and other publications including shoppers, weekly newspapers, rack publications, and direct mail services.

From 1990 to 1991, I also served as the Chairman of the American Newspaper Publishers Association (now the Newspaper Association of America). In that capacity I was directly involved in the newspaper industry's efforts to adapt to the new demands of competition with multiple electronic information providers.

I am submitting this statement in support of abolishing the FCC's rule barring common control of newspaper/broadcast interests in local markets. I wish to reply to commenters who defend this rule.

Timing is everything. It was my good fortune to be CEO of Lee during the watershed years when the electronic world began to impact the production of newspapers with photographic typesetting and offset printing. Lee became a leader in our industry for these new technologies. My tenure also included the introduction of cable and satellite communications.

Lee put four television stations on the air shortly after the end of World War II. These stations were in Mason City, IA, Quincy-Hannibal, MO, Mankato, MN, and LaCrosse, WI. It took years for Lee to earn profits from these stations, but when they turned the corner, they were highly successful. If you had one of the only three network stations, the advertisers were lined up at the door. The chances of getting your share of TV viewing eyeballs were excellent with only three signals in town.

It was rewarding being an information provider in those early days because information seekers didn't have many choices, and they had little or no influence on what was coming down the TV pipeline or the print conduit.

The television industry, like newspapers, was slow to change and move into the information age. But change is now the overriding reality in the business, with competition for viewers/readers coming from all directions -- from telephony, cable, satellites, the Internet and ultimately fiber optics that will merge everything into one conduit. You can add to this media cornucopia of information providers shoppers, weeklies, alternative newspapers, national newspapers, data-based services, direct mail, desktop publishers and a river of electronic information. All of this change creates a radically new and different information environment in the late 1990's.

Competition today is for peoples' time, for their ears and for their eyeballs. In the "good old days" information seekers really had to accept what newspaper and TV information providers chose to give them. But, as a media friend of mine stated several years ago, "the era of 'this is what's good for you journalism' is over". Information seekers now have so many different options for information and entertainment their eyeballs are literally bloodshot. Furthermore, they now even have significant influence over what is put into the conduits through their marketplace choices.

I well understood -- though I did not agree with -- the reasoning for the FCC's 1975 newspaper/broadcast cross-ownership rule. Lee's operation in Mason City was one of the so-called "egregious" cases, which meant that the FCC required Lee to divest the TV station there. While I did not regard the rule as needed to serve the public interest, I could understand the fears that underlay the rule. I could grasp the theory of imposing limits on cross-ownership in the days when there was a very limited number of options for information seekers, particularly in smaller markets.

However, I never believed that the FCC was warranted in basing its policies on the unproven assumption that there would be some type of collusion between the newsrooms or advertising departments of media under common ownership in the same community. In fact, such collusion never occurred in any of Lee's operations, nor in any others that I knew about in our newspaper industry. In the real world, professional journalists simply would not sit still for any kind of central dictation on news or editorial issues, nor would ad salespersons whose incentives might be eroded. Lee's TV and newspaper people were fierce competitors. Every morning they had a note on their desks pointing out lost advertising or newsroom scoops involving their counterparts in the competing medium. In my view, the FCC's 1975 theories about threatened media collusion ignored both business pressures and human rivalries which combine to assure a high degree of autonomy and competition.

I have read the comments of Office of Communication, United Church of Christ and Black Citizens for a Fair Media. They argue that "one corporate subdivision" would never undermine another if newspaper/broadcast combinations were allowed. This is not true by any stretch of the imagination. As the CEO of large media company for eighteen years, I can assure the Commission that the news department of one so-called "corporate subdivision" would relish the opportunity to point out sloppy or inadequate reporting of another internal competitor. The reason is simple: there are dozens, if not hundreds, of media competitors that stand ready to pounce on a competitor for biased, management-controlled news reporting. We all know that honest, independent reporting makes good business sense -- without the highest levels of journalistic integrity, customers will read another newspaper, change the channel to watch a competing television station, listen to another drive-time radio broadcast, or get their news from somebody else's Internet site. No media company is willing to take that risk.

Today there is a constant, growing blurring and merging of telephony, computers, television and print. Any regulatory attempt to redirect this trend would not only inhibit innovation but ultimately slow competition.

Today the information seeker has taken over the information provider's driver's seat. When the FCC's cross-ownership rule became law, the information seeker was in the back seat. This radical reversal of roles makes it imperative that the FCC revisit and jettison its absolute ban on newspaper/broadcast cross-ownership.

Dated this 17th day of August, 1998.

Lloyd G. Schermer